

LESLIE PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with additional information)
FOR THE YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

September 24, 2008

Board of Education
Leslie Public Schools
Leslie, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Leslie Public Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Leslie Public Schools as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2008 on our consideration of Leslie Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The managements discussion and analysis and required budgetary comparison information on pages 2 – 11 and 38 - 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leslie Public School's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

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Leslie Public Schools Management's Discussion and Analysis

This section of Leslie Public School's annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

Financial Highlights

- The district's assets exceeded its liabilities on June 30, 2008 by \$2,428,777.
- Compared to the previous year, the district's total net assets increased by \$227,502, or 10 %.
- Fund expenditures were approximately \$14 million, which exceeded revenues by approximately \$300,000.
- Student enrollment increased by 13 to 1,409 students.
- The district's tax base increased by 5.9% compared with 5.4% in the prior year.
- \$270,000 of non-voted debt was issued to help fund \$328,000 of new capital assets.
- Debt service requirements for the next 17 years were reduced by \$995,000 through an advance refunding of 75% of the district's outstanding voted debt. The net present value of the reduced debt service requirements – the district's economic gain – is \$764,000.

Overview of the Financial Statements

This annual report consists of three parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, and 3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

- 1) The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the district's *overall* financial status.
- 2) The remaining statements are *fund financial statements* that focus on *individual parts* of the district, reporting the district's operations in more detail than the district-wide statements.
 - a) The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - b) *Fiduciary funds* statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Leslie Public Schools Management's Discussion and Analysis

Figure A-1
Organization of Leslie Public Schools Annual Financial Report

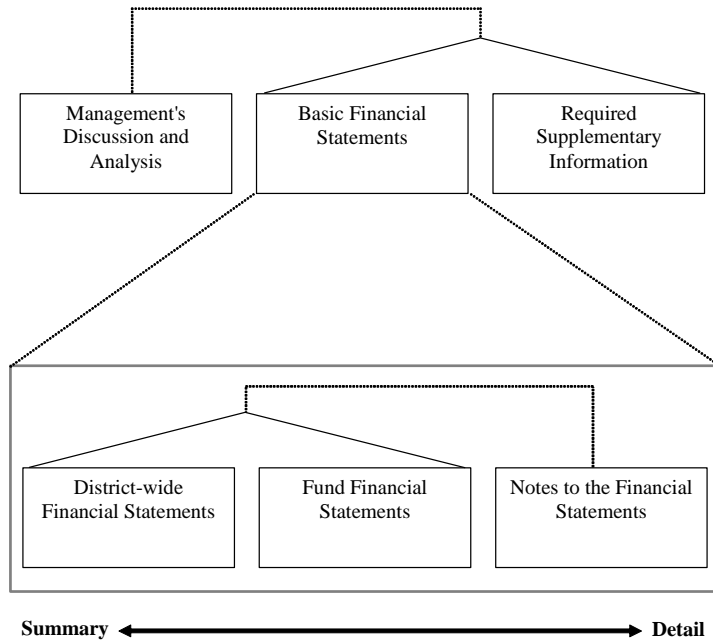


Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	1) Statement of net assets 2) Statement of activities	1) Balance Sheet 2) Statement of revenues, expenditures, and changes in fund balances	1) Statement of fiduciary net assets 2) Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset / Liability Information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow / Outflow Information.	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Leslie Public Schools Management's Discussion and Analysis

District-wide Financial Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the district's *net assets* and how they have changed. Net assets, the difference between the district's assets and liabilities, is one way to measure the district's financial health or *position*.

- Over time, increases or decreases in the district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the districts overall health, you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school buildings and other facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds: not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The district has two kinds of funds:

1. *Governmental funds*: Most of the district's basic services are included in governmental funds, which generally focus on: a) how cash and other financial assets that can readily be converted to cash flow in and out, and b) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, this report includes reconciliation schedules that explain the relationship, or differences, between the District-wide Statements and the Fund Financial Statements.
2. *Fiduciary funds*: The district is the trustee, or fiduciary, for assets that belong to others, such as student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Leslie Public Schools
Management's Discussion and Analysis

Financial Analysis of the District as a Whole

As noted earlier, net assets are the difference between assets and liabilities. On June 30, 2008, the district had total assets of \$21.3 million, liabilities of \$18.9 million, and net assets of \$2.4 million. Figure A-3, below, provides a summary of net assets for the years ending on June 30, 2008 and June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	2008	2007	Change	
Assets				
Current	\$ 4,662,335	\$ 4,397,802	\$ 264,533	6.0 %
Non-Current	16,625,523	16,814,367	(188,844)	(1.1)
	<u>\$ 21,287,858</u>	<u>\$ 21,212,169</u>	<u>\$ 75,689</u>	<u>0.4</u>
Liabilities				
Current	\$ 4,013,902	\$ 3,897,056	\$ 116,846	3.0 %
Non-Current	14,845,179	15,113,838	(268,659)	(1.8)
	<u>18,859,081</u>	<u>19,010,894</u>	<u>(151,813)</u>	<u>(0.8)</u>
Net Assets				
Invested in capital assets, net of related debt	722,029	763,210	(41,181)	(5.4)
Restricted	398,951	290,034	108,917	37.6
Unrestricted	1,307,797	1,148,030	159,766	13.9
	<u>2,428,777</u>	<u>2,201,275</u>	<u>227,502</u>	<u>10.3</u>
Liabilities and Net Assets	<u>\$ 21,287,858</u>	<u>\$ 21,212,169</u>	<u>\$ 75,689</u>	<u>0.4 %</u>

The above table shows the district's net assets on June 30, 2008, when compared to the prior year, increased by \$227,502, or 10.3%. The primary reason for this significant increase is due to a combination of increased interest and state aid revenues coupled with reduced instructional and interest expenses. The reduction is evident in Figure A-4, and the reader will note that while revenues increased by \$204,906, the district's expenses decreased by \$242,839.

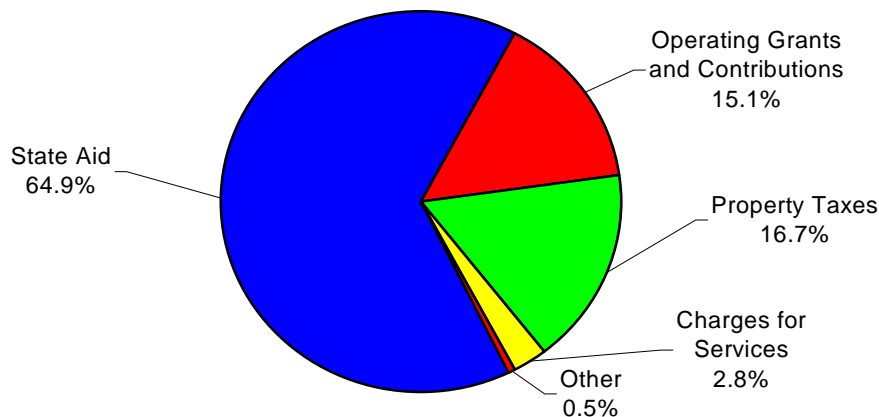
**Leslie Public Schools
Management's Discussion and Analysis**

Figure A-4
Changes in Net Assets from Operating Results

	<u>2008</u>	<u>2007</u>	<u>Change</u>	
Revenues				
Charges for Services	\$ 387,635	\$ 389,535	\$ (1,900)	(0.5) %
Operating Grants and Contributions	2,044,575	2,036,226	8,349	0.4
Capital Grants and Contributions	27,153	9,708	17,445	179.7
Property Taxes	2,296,706	2,145,428	151,277	7.1
State Aid	8,912,532	8,867,395	45,137	0.5
Other	65,144	80,548	(15,402)	(19.1)
	<u>13,733,745</u>	<u>13,528,840</u>	<u>204,906</u>	<u>1.5</u>
Expenses				
Instruction	6,871,380	7,211,026	(339,646)	(4.7)
Pupil & Instructional Services	1,108,634	891,423	217,211	24.4
Administration & Business	1,308,446	1,457,968	(149,522)	(10.3)
Operations & Maintenance	1,402,175	1,353,604	48,571	3.6
Transportation	579,058	587,359	(8,301)	(1.4)
Facilities Acquisition	430,848	429,955	893	0.2
Interest on Long Term Debt	690,039	793,030	(102,991)	(13.0)
Other	1,115,663	1,024,717	90,946	8.9
	<u>13,506,243</u>	<u>13,749,082</u>	<u>\$ (242,839)</u>	<u>(1.8) %</u>
Increase / (Decrease) in Net Assets	<u>\$ 227,502</u>	<u>\$ (220,242)</u>		

Revenues The district's total revenues of \$13.7 million were more than expenses; increasing net assets by \$227,502 over last year (see Figure A-4). State formula aid accounted for most of the district's revenue, contributing about 65 cents of every dollar raised. Another 17 percent came from property taxes levied by the district. Operating grants and contributions comprised 15 percent of the revenue (see Figure A-5).

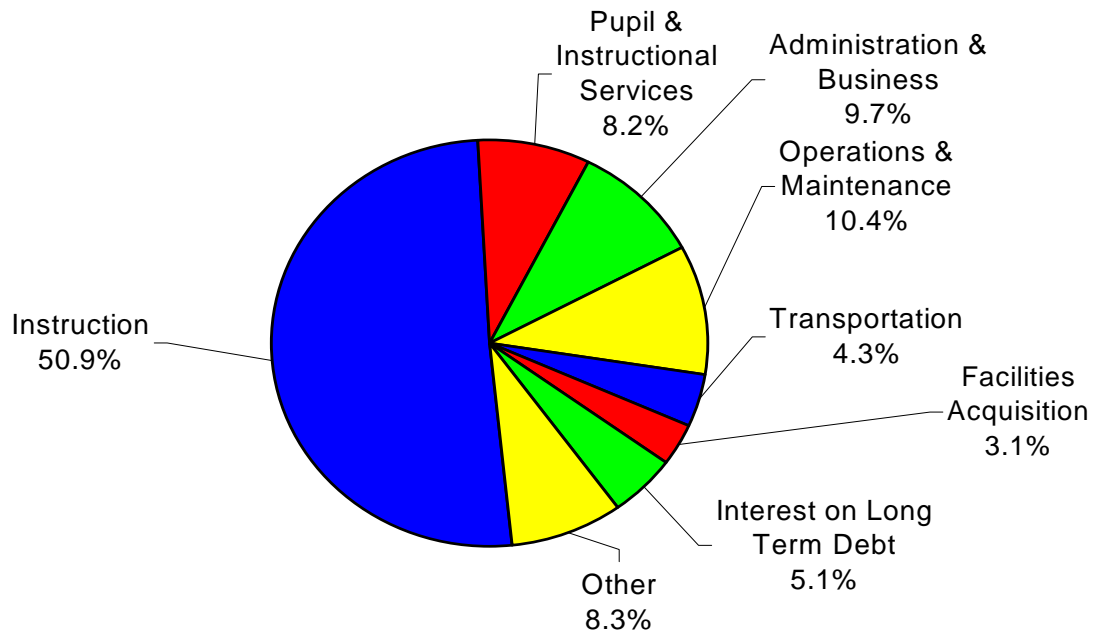
Figure A-5
Sources of Revenues for Fiscal Year Ending June 30, 2008



Leslie Public Schools Management's Discussion and Analysis

Expenses Around 59% of the district's \$13.5 million of expenses were used for instruction, pupil services, and instructional services; which is the same rate as the prior year. The school and district administrative and business activities accounted for 9.7% of total costs; which is a slight decrease from last year. Operations and Maintenance comprised 10.4% of current year expenses compared to 9.8% of the prior year expenses. (see Figure A-6).

Figure A-6
Expenses for Fiscal Year Ending June 30, 2008



Financial Analysis of the District's Funds

While the district's net assets increased by over \$220,000 per the district-wide statements, the district's combined governmental fund balances increased by approximately \$100,000 per the fund financial statements. As stated earlier, the fund financial statements do not encompass the long-term focus of the district-wide statements. This fact causes the discrepancy between the district-wide statements and fund financial statements. A detail explanation for the discrepancy is provided in the financial statements. The specific report is entitled "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities".

The \$100,000 increase in fund balances is attributable solely to the debt retirement fund. The same fund saw a \$178,000 decrease in the prior year. The revenues and expenditures for the General Fund and special revenue funds were virtually equal this year. These funds' balances decline by \$340,000 in the prior year.

**Leslie Public Schools
Management's Discussion and Analysis**

General Fund Budgetary Highlights

Over the course of the year, the district revised the annual operating budget five times. The significant items causing budget adjustments are enumerated below:

- The actual student count was 23 more than budgeted which increased funding by \$124,000.
- A mid-year \$119 per pupil increase translated to an additional \$161,000 in state funding.
- \$57,000 of delinquent taxes budgeted to be received in the year ending June 30, 2008 were actually received in the prior year.
- Special Education funding from state and intermediate sources was reduced by \$60,000.
- The proceeds and corresponding expenditures of \$270,000 of non-voted debt issued to pay for computers, a school bus, a boiler, and roof repairs was moved from the Capital Projects to the General Fund.
- Actual allocation awards of federal funding were more than budgeted which increased both revenues and expenditures by \$50,000.
- Two FTEs were added to the faculty which increased expenditures by \$110,000.

Although the district's final budget for the general fund anticipated that expenditures would exceed revenues by \$144,000, the actual results for the year show a \$3,990 surplus. The chart presented in Figure A-7 compares the general fund budgeted and actual revenues and expenditures.

Figure A-7
General Fund Expenditures - Budget versus Actual

	2007-08 Budget	2007-08 Actual	2007-08 Variance		2006-07 Actual
Revenues:					
Local and other sources	\$ 1,285,822	\$ 1,210,650	\$ (75,172)	(6.2) %	\$ 888,039
Intermediate sources	799,000	768,097	(30,903)	(4.0)	755,773
State sources	9,551,764	9,605,655	53,891	0.6	9,581,478
Federal sources	287,175	276,058	(11,117)	(4.0)	268,071
	<u>11,923,761</u>	<u>11,860,460</u>	<u>(63,301)</u>	<u>(0.5)</u>	<u>11,493,361</u>
Expenditures:					
Salaries and Benefits	9,896,160	9,755,619	140,541	1.4	10,094,401
Utilities, Phones, etc	438,367	451,802	(13,435)	(0.3)	437,829
Purchased Services	666,961	617,093	49,868	8.1	540,183
Supplies and Materials	420,952	401,199	19,753	4.9	339,764
Capital Outlay	366,826	356,010	10,816	3.0	168,307
Miscellaneous	108,275	109,299	(1,024)	(0.9)	67,426
Transfers to Other Funds	170,000	165,448	4,552	2.8	177,461
	<u>12,067,541</u>	<u>11,856,470</u>	<u>211,071</u>	<u>1.8 %</u>	<u>\$ 11,825,371</u>
Net change in fund balances	<u>\$ (143,780)</u>	<u>\$ 3,990</u>	<u>\$ 225,589</u>		<u>\$ (332,010)</u>

**Leslie Public Schools
Management's Discussion and Analysis**

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the district had invested \$26.4 million in a broad range of capital assets, including school buildings, athletic facilities, computer hardware, and school buses. This amount is virtually unchanged from the prior year. Total depreciation expense for the year was \$680,000. Figure A-8 details the historical costs, accumulated depreciation, and book value of the district's capital assets.

Figure A-8
Statement of Capital Assets

	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Asset Value</u>
Land and Buildings			
Land	\$ 300,000	-	\$ 300,000
Buildings	22,962,450	8,066,269	14,896,181
Building Improvements	269,656	69,816	199,840
Site Improvements	160,874	53,220	107,654
	<u>23,692,980</u>	<u>8,189,305</u>	<u>15,503,675</u>
Equipment			
Athletic Equipment	10,522	3,756	6,766
Audio Visual Equipment	96,101	57,582	38,519
Business Machines	4,745	4,559	186
Communications Equipment	41,470	30,274	11,196
Computer Hardware	487,880	378,817	109,063
Computer Software	44,857	39,915	4,942
Copier Equipment	69,720	53,888	15,832
Custodial Equipment	77,931	40,132	37,799
Electrical/Plumbing	9,019	3,608	5,411
Flooring Replacement	87,109	46,135	40,974
Furniture	197,010	197,010	-
Grounds Equipment	88,002	42,858	45,144
HVAC Systems	121,842	8,655	113,187
Instructional Equipment	5,807	3,515	2,292
Kitchen Equipment	61,409	24,946	36,463
Lockers	41,859	41,162	697
Maintenance Equipment	7,099	6,813	286
Music/stage Equipment	168,018	102,374	65,644
Outdoor Equipment	175,079	78,281	96,798
Surveillance/Security Equipment	79,611	51,921	27,690
Transportation - Equipment	3,300	2,145	1,155
	<u>1,878,390</u>	<u>1,218,346</u>	<u>660,044</u>
Vehicles	<u>806,174</u>	<u>512,138</u>	<u>294,036</u>
Totals at Historical Cost	<u><u>26,377,544</u></u>	<u><u>9,919,789</u></u>	<u><u>16,457,755</u></u>

Leslie Public Schools
Management's Discussion and Analysis

Long Term Debt

At year-end, the district had approximately \$15.8 million in outstanding long-term debt. This amount is about \$315,000 less than the prior year, as shown in Figure A-9.

Figure A-9

Statement of Long Term Debt

	Beginning Value	Net Increase / (Decrease)	Ending Value
Bonded Debt			
1998 Debt	10,570,000	(8,650,000)	1,920,000
2007 Non-Voted Debt	-	245,000	245,000
2008 Debt	-	7,855,000	7,855,000
Durant Bonds, Limited Obligation	143,851	-	143,851
SubTotal Bonded Debt	<u>10,713,851</u>	<u>(550,000)</u>	<u>10,163,851</u>
School Bond Loan Fund			
Borrowings from the SBLF	4,181,342	-	4,181,342
Interest charges on SBLF Borrowings	1,155,964	(99,915)	1,056,049
SubTotal SBLF	<u>5,337,306</u>	<u>(99,915)</u>	<u>5,237,391</u>
Compensated Absences			
Terminal Leave for Professional Staff	48,052	-	48,052
Terminal Leave for Classified Staff	4,037	(1,400)	2,637
Unused Vacation for Classified Staff	15,592	2,170	17,762
SubTotal Compensated Absences	<u>67,681</u>	<u>770</u>	<u>68,451</u>
Deferred Amounts On Refunding	<u>-</u>	<u>166,716</u>	<u>166,716</u>
Total	<u>16,118,838</u>	<u>(482,429)</u>	<u>15,636,409</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the district was aware of three circumstances that could significantly affect its financial health in the future:

1. The state provided per pupil foundation grant for the period ending June 30, 2009 increased \$112 over the prior year. This equates to a 1.6% increase, which is much less than the 5% rate of inflation over the prior year. The district believes its per pupil funding increases will continue to be less than the rate of inflation for the foreseeable future.
2. The district is currently negotiating with the union representing members of the faculty, for their contract expired on June 30, 2007. No increases to base salary and employer contributions towards health insurance are reflected in either the 2007-08 financial statements or the 2008-09 budget.
3. For the 12-month period ending June 30, 2009, the increase in taxable values over the prior period for the district and the county was 0.3 % and 1.8%, respectively. The average annual increases over the prior 4 years were 7% for the district's tax base, and 5% for the county's tax base. Slow growth in the district's tax base could result in increased debt service payments. Slow growth in the county's tax base will affect the district's special education funding for the county levies are the major source of the district's special education revenues.

**Leslie Public Schools
Management's Discussion and Analysis**

Contacting the District's Financial Management

This financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Leslie Public Schools Business Office, 432 North Main St., Leslie, MI 49251.

Basic Financial Statements

LESLIE PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 1,166,910
Investments	1,555,200
Other Receivables	24,161
Due from other governmental units	1,884,137
Inventory and prepaid items	<u>31,927</u>
Total current assets	<u>4,662,335</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>16,457,755</u>
Total assets	<u><u>\$ 21,120,090</u></u>
 LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and other current liabilities	\$ 1,293,528
Note payable	1,750,000
Deferred revenue	11,376
Current portion of long term debt	<u>962,640</u>
Total current liabilities	4,017,544
Noncurrent liabilities:	
Noncurrent portion of long-term liabilities	<u>14,673,769</u>
Total liabilities	<u>18,691,313</u>
Net assets:	
Invested in capital assets, net of related debt	722,029
Restricted for:	
Capital projects	1,465
Debt retirement	397,486
Unrestricted	<u>1,307,797</u>
Total net assets	<u>2,428,777</u>
	<u><u>\$ 21,120,090</u></u>

See notes to financial statements.

**LESLIE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (expenses) And changes in Net assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Instruction:					
Basic programs	\$ 5,762,565	\$	\$ 245,078	\$ 23,653	\$ (5,493,834)
Added needs	1,108,815		991,557		(117,258)
	<u>6,871,380</u>		<u>1,236,635</u>	<u>23,653</u>	<u>(5,611,092)</u>
Supporting services:					
Pupil	653,885		249,221		(404,664)
Instructional staff	454,749		118,659		(336,090)
General administration	302,350				(302,350)
School administration	811,731				(811,731)
Business	194,365		22,344		(172,021)
Operation and maintenance	1,402,175	20,686	54,314	3,500	(1,323,675)
Pupil transportation services	579,058	5,811	88,964		(484,283)
Central support services	252,482		4,000		(248,482)
Other support services	818,892	361,138	270,438		(187,316)
	<u>5,469,687</u>	<u>387,635</u>	<u>807,940</u>	<u>3,500</u>	<u>(4,270,612)</u>
Other activities:					
Community Services	27,773				(27,773)
Facilities acquisition	430,848				(430,848)
Interest on long term debt	690,039				(690,039)
Depreciation, unallocated	16,516				(16,516)
	<u>1,165,176</u>				<u>(1,165,176)</u>
Total governmental activities	<u>\$ 13,506,243</u>	<u>\$ 387,635</u>	<u>\$ 2,044,575</u>	<u>\$ 27,153</u>	<u>(11,046,880)</u>
General revenues:					
Property taxes, levied for general purposes					796,055
Property taxes, levies for debt services					1,500,651
Unrestricted state aid					8,912,532
Interest and investment earnings					58,212
Miscellaneous					4,532
Special Items – Gain / (Loss) on Sale of Equipment					<u>2,400</u>
Total General revenues and special items					11,274,382
CHANGES IN NET ASSETS					227,502
Net assets – beginning of year					<u>2,201,275</u>
Net assets – end of year					<u>\$ 2,428,777</u>

See notes to financial statements.

**LESLIE PUBLIC SCHOOLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	1998 Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 744,825	\$ 188,560	\$ 233,525	\$ 1,166,910
Investments	1,555,200			1,555,200
Taxes receivable	19,327	134		19,461
Interest receivable	3,509			3,509
Other receivables			1,191	1,191
Due from other funds	30,052			30,052
Due from other governmental units	1,841,623		12,288	1,853,911
Inventory			11,358	11,358
Prepaid items	20,569			20,569
	<u>\$ 4,215,105</u>	<u>\$ 188,694</u>	<u>\$ 258,362</u>	<u>\$ 4,662,161</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Note payable	\$ 1,750,000	\$	\$	\$ 1,750,000
Accrued interest payable	36,739			36,739
Accounts payable and accrued expenses	87,215	3,208	11,734	102,157
Due to other funds	18,945		30,052	48,997
Payroll Deductions and Withholdings	408,712			408,712
Deferred revenue	11,376			11,376
Salaries payable	682,079		1,588	683,667
Total liabilities	<u>2,995,066</u>	<u>3,208</u>	<u>43,374</u>	<u>3,041,648</u>
Fund balances:				
Reserved for:				
Prepaid items	20,569			20,569
Capital projects			1,465	1,465
Debt retirement		185,486	212,000	397,486
Unreserved:				
Undesignated	<u>1,199,470</u>		<u>1,523</u>	<u>1,200,993</u>
Total fund balances	<u>1,220,039</u>	<u>185,486</u>	<u>214,988</u>	<u>1,620,513</u>
	<u>\$ 4,215,105</u>	<u>\$ 188,694</u>	<u>\$ 258,362</u>	<u>\$ 4,662,161</u>

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Amounts reported for governmental activities in the statement of net assets are difference because:

Total Fund Balance - Governmental Funds **\$ 1,620,513**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	26,377,544	
Accumulated depreciation is	<u>(9,919,789)</u>	
		16,457,755

Amounts due from Intermediate sources (governmental unit) were earned this year but won't be collected soon enough for the current period's expenditures, and therefore are not included in the funds. They are reported in the statement of activities as program revenues, and in the net assets as due from governmental units.

30,226

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Unamortized Bond Premiums, net of net of amortization	334,484	
Deferred charges, net of amortization	(167,768)	
Bonds Payable	10,163,851	
Accrued interest payable	43,308	
School Bond Loan Fund Proceeds Payable	4,181,342	
Accrued interest on the School Bond Loan Funds Proceeds	1,056,049	
Compensated absences (vacations)	17,762	
Special Termination Benefits Payable	<u>50,689</u>	<u>(15,679,717)</u>

Total net assets - governmental activities **\$ 2,428,777**

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	1998 Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 796,055	\$ 1,291,023	\$ 209,628	\$ 2,296,706
Other local sources	126,560	14,298	374,229	515,087
Intermediate sources	765,081			765,081
State sources	9,605,655		36,665	9,642,320
Federal sources	276,058		223,617	499,675
Other sources	18,651			18,651
Total revenues	11,588,060	1,305,321	844,139	13,737,520
EXPENDITURES:				
Instruction:				
Basic instruction	5,761,919			5,761,919
Added needs	1,117,741			1,117,741
Total Instruction	6,879,660			6,879,660
Support Services:				
Pupil services	651,051			651,051
Instructional staff	497,782			497,782
General Administration	301,760			301,760
School Administration	809,560			809,560
Business	194,220			194,220
Operations and Maintenance	1,486,816			1,486,816
Transportation	583,281			583,281
Central Support services	225,628			225,628
Community services	27,673		100	27,773
Food service			536,707	536,707
Athletic activities			264,584	264,584
Principal and interest	33,591	1,545,711		1,579,302
Total support services	4,811,362	1,545,711	801,391	7,158,464
Total expenditures	11,691,022	1,545,711	801,391	14,038,124
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(102,962)	(240,390)	42,748	(300,604)
OTHER FINANCING SOURCES (USES):				
Operating transfers in			166,082	166,082
Operating transfers out	(165,448)		(634)	(166,082)
Proceeds from the issuance of bonds	270,000	7,855,000		8,125,000
Refunding deferral		341,074		341,074
Payment to escrow agent		(8,059,240)		(8,059,240)
Proceeds from sale of equipment	2,400			2,400
Total other financing sources (uses)	106,952	136,834	165,448	409,234

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

	<u>General</u>	<u>1998 Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
NET CHANGES IN FUND BALANCES	3,990	(103,556)	208,196	108,630
FUND BALANCES:				
Beginning of year	<u>1,216,049</u>	<u>289,042</u>	<u>6,792</u>	<u>1,511,883</u>
End of year	<u>\$ 1,220,039</u>	<u>\$ 185,486</u>	<u>\$ 214,988</u>	<u>\$ 1,620,513</u>

See notes to financial statements.

**LESLIE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Total net change in fund balances - governmental funds **\$ 108,630**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense	684,955	
Capital outlays	<u>(328,343)</u>	(356,612)

Because some amounts due from governmental sources won't be collected until several months after the district's fiscal year ends, they are not considered as revenues in the governmental funds. However, they are recorded as program revenues in the statement of activities.

30,226

Some amounts from governmental units were for the prior period, but they were not received soon enough to be recorded in the prior period's governmental funds statements.

(36,401)

Interest on long-term debt in the statement of activities differs from the amount recorded in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

In the statement of activities, certain compensated absences (vacations) and special termination benefits are measured by the net change in amounts from the beginning to the end of the year. In the governmental funds, however, expenditures for these items are measured when paid. The net increase/(decrease) in amounts included in the statement of activities are:

Compensated absences (vacations)	2,170	
Special Termination Benefits Payable	<u>(1,400)</u>	(770)

Repayment of bond principal is an expenditure in the governmental funds, but It reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

986,781

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

The district issued refunding bonds during the year. Governmental funds report the effect of the difference between the carrying amount of the defeased debt and its reacquisition price when debt if first issued, whereas these amounts are deferred and amortized in the statement of activities.

Net effect of amortization of issuance costs, deferred charges, and bond premiums	3,284
--	-------

The accrued interest on the bonds as of 6/30/2008 was \$43,308 compared to \$42,538 as reported for 6/30/2007.

The increase of \$770 is reported on the statement of activities as more interest expense than the amounts

Actually disbursed during the period and reported in the governmental funds	(770)
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An amount of \$236,866 for interest costs were accreted to the district's SBLF liability. This is a long-term debt that is not included as an expenditure in the governmental funds. It is treated as an expense in the statement of activities.

(236,866)

The District issued \$270,000 in non-voted debt during the year ended 6/30/2008. This amount was treated as an other financing source in the governmental funds, but is treated as an increase in long-term liabilities in the statement of net assets and does not affect the statement of activities.

(270,000)

Change in net assets of governmental activities.

<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 0 10px;"> \$ 227,502 </div>
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LESLIE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 71,818	\$ 15,312
Due from General Fund	<u>18,946</u>	<u>97,032</u>
Total assets	<u><u>\$ 90,764</u></u>	<u><u>\$ 112,344</u></u>
LIABILITIES		
Liabilities:		
Due to student groups and others	<u><u>\$ 90,764</u></u>	<u><u>\$ 112,344</u></u>

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
AGENCY FUNDS – STUDENT ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND LIABILITIES
YEAR ENDED JUNE 30, 2008

	Balances, beginning of year	Receipts	Disbursements	Balances, End of year
Administrative	\$ 498	\$ 1,337	\$ 1,019	\$ 816
High school	37,980	107,350	103,143	42,187
Middle school	48,704	52,956	78,073	23,587
Elementary school	<u>25,162</u>	<u>39,115</u>	<u>40,103</u>	<u>24,174</u>
	<u>\$ 112,344</u>	<u>\$ 200,758</u>	<u>\$ 222,338</u>	<u>\$ 90,764</u>

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Leslie Public Schools (the District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the financial statements of Leslie Public Schools contain all the funds and account group controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

The district reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *1998 debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the district reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

State Foundation Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September 2007.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 – Property Taxes.

Categorical

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity

1. Cash and investments

Cash includes amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank or credit union, which is a member of the Federal Deposit Insurance Corporation or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity (continued)

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund (non-homestead)	17.0617
Debt service funds (homestead & non-homestead)	7.3900

4. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than one year. An exception to this policy is made in the case of computer or information technology purchases, substantially all of which are capitalized regardless of price. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the district are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 yrs
Building and site improvements	20 yrs
General equipment	10-15 yrs
Vehicles	8 yrs
Office furniture and fixtures	7 yrs
Computer equipment	5 yrs

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity (continued)

6. Compensated Absences

It is the district's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued in the government-wide financial statement. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available resources (generally sixty days).

7. Unemployment Insurance

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings are received for amounts paid by the State through June 30 are accrued.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

9. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources." The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the District by each of the District's funds.

Deposits

At year-end, the carrying amount of the District's deposits were \$1,238,728 and the bank balance was \$1,316,950 of which \$200,000 was covered by federal depository insurance and \$1,116,950 was uninsured and uncollateralized.

Investments

The District had the following investments as of June 30, 2008:

Michigan Municipal Bond Revenue Note (cost = market) Matures August 19, 2008	\$ <u>1,555,200</u>
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Interest Rate Risk – The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank or a credit union, which is a member of either the Federal Deposit Insurance Corporation or the National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices. As of June 30, 2008, the district's investment in the Michigan Municipal Bond Revenue Note was rated SP-1+ by Standard and Poor's.

Concentration of Credit Risk – The district places no limit on the amount the district may invest in any one issuer. All of the districts investments are reported in the General fund.

A reconciliation of cash as shown on the combined balance sheet follows:

Carrying amount of deposits	\$ 514,847
Investments	<u>723,881</u>
Total	<u>\$ 1,238,728</u>
Cash and cash equivalents:	
Governmental activities	\$ 1,166,910
Fiduciary funds	<u>71,818</u>
Total	<u>\$ 1,238,728</u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – NOTE PAYABLE

At June 30, 2008 the District has outstanding a \$1,750,000 revenue note (state aid note) dated August 20, 2007. The note, which has an interest rate of 3.68%, matures August 20, 2008. The note is secured by the full faith and credit of the District, the investment contract, as well as pledged state aid. The short term note is used to facilitate cash flow needs.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2008:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note payable	\$ 1,400,000	\$ 1,750,000	\$ 1,400,000	\$ 1,750,000

NOTE 5 – RECEIVABLES

Receivables at June 30 consist of the following:

	<u>General fund</u>	<u>Special Revenue funds</u>	<u>Debt Service funds</u>
Governmental units	\$ 1,841,623	\$ 12,288	\$
Other Receivables	19,327	1,191	134
Interest	3,509		
	<u>\$ 1,864,459</u>	<u>\$ 13,479</u>	<u>\$ 134</u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES

On February 26, 2008 Leslie Public Schools issued general obligation refunding bonds with an interest rate ranging from 3.0% to 5.0% to advance refund general obligation bonds with an interest rate ranging from 4.45% to 5.0%. The general obligation refunding bonds were issued at a premium after paying issuance costs of \$136,834, the net proceeds were \$7,855,000. The net proceeds from the issuance of the general obligation refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirement by \$995,130, which resulted in an economic gain of \$764,375.

At June 30, 2008, general obligation debts and other long-term obligations currently outstanding are as follows:

\$12,265,000 1998 serial bonds payable in annual installments of \$65,000 to \$655,000 through May 1, 2025; interest at 4.3% to 5.0%	\$ 1,920,000
\$270,000 2007 serial bonds payable in annual installments of \$25,000 to \$30,000 through May 1, 2017; interest at 3.8% to 4.2%	245,000
\$7,855,000 2008 serial bonds payable in annual installments of \$470,000 to \$665,000 through May 1, 2025; interest at 3.0% to 5.0%	7,855,000
Limited obligation Durant bonds payable in annual installments of \$10,742 to \$22,000 through May 2013, interest at 4.76%	<u>143,851</u>
Total bonded debt	10,163,851
Borrowings from State of Michigan under the School Bond Loan Fund, including interest	5,237,391
Refunding deferrals, net of charges	166,716
Termination benefits	<u>68,451</u>
	<u><u>\$ 15,636,409</u></u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES (concluded)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2008 including interest of \$3,519,441 are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 663,558	\$ 467,339	\$ 1,130,897
2010	684,203	381,699	1,065,902
2011	699,880	350,400	1,050,280
2012	695,588	317,713	1,013,301
2013	780,622	324,811	1,105,433
2014-2018	3,075,000	1,120,879	4,195,879
2019-2023	2,610,000	499,600	3,109,600
2024-2025	955,000	57,000	1,012,000
	10,163,851	3,519,441	13,683,292
Due to School Bond Loan Fund	5,237,391		5,237,391
Refunding deferrals, net of charges	166,716		166,716
Termination benefits	68,451		68,451
	<u>\$ 15,636,409</u>	<u>\$ 3,519,441</u>	<u>\$ 19,155,850</u>

At June 30, 2008, net assets of \$400,694 are available in the debt service funds to service the general obligation debt.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2008:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$10,570,000	\$ 8,125,000	\$ 8,675,000	\$ 10,020,000	\$650,000
Limited obligation bonds	143,851			143,851	13,558
Refunding deferrals, net of charges		170,000	3,284	166,716	16,443
Total bonds payable	10,713,851	8,295,000	8,678,284	10,330,567	680,001
Other liabilities:					
School bond loan fund	5,337,306	236,866	336,781	5,237,391	282,639
Termination benefits	67,681	6,339	5,569	68,451	
Total long-term liabilities	<u>\$ 16,118,838</u>	<u>\$ 8,538,205</u>	<u>\$ 9,020,634</u>	<u>\$ 15,636,409</u>	<u>\$ 962,640</u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS

Amounts due to and from other funds for the Districts governmental fund types at June 30, 2008 are as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Athletic fund	\$ 12,596
General fund	Food Service fund	17,456
Internal service fund	General fund	<u>18,945</u>
		<u>\$ 48,997</u>

Inter-fund transfers for the year ended June 30, 2008 were as follows:

<u>Fund Transferred Out</u>	<u>Fund Transferred In</u>	<u>Amount</u>
General fund	Athletic Activities	\$ 165,448
Concession capital projects	Capital projects	<u>634</u>
		<u>\$ 166,082</u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	Beginning of year	Additions	Retirements	End of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 300,000	\$	\$	\$ 300,000
Capital assets, being depreciated				
Buildings	\$ 23,381,171	\$ 17,855	\$ 6,046	\$ 23,392,980
Equipment and technology	1,820,440	242,579	184,629	1,878,390
Vehicles	856,811	67,909	118,546	806,174
Total historical cost	<u>\$ 26,058,422</u>	<u>\$ 328,343</u>	<u>\$ 309,221</u>	<u>\$ 26,077,544</u>
Less accumulated depreciation:				
Buildings	\$ 7,741,073	\$ 448,232	\$	\$ 8,189,305
Equipment and technology	1,233,062	175,959	190,675	1,218,346
Vehicles	569,920	60,764	118,546	512,138
Total accumulated depreciation	<u>\$ 9,544,055</u>	<u>\$ 684,955</u>	<u>\$ 309,221</u>	<u>\$ 9,919,789</u>
Governmental activities capital assets, net	<u>\$ 16,814,367</u>	<u>\$ (356,612)</u>	<u>\$</u>	<u>\$ 16,457,755</u>

Depreciation expense was charged to governmental functions as follows:

Depreciation not allocated	\$ 16,516
Basic programs	45,038
Added needs	4,035
Pupil services	4,129
Instructional staff services	18,914
General administration	1,239
School administration	2,171
Business services	145
Operations and maintenance	52,326
Transportation services	63,686
Central services	26,855
Facilities acquisition	430,848
Other	19,053
	<u>\$ 684,955</u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to the pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 16.72%. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007 and 2006 were \$1,190,320, \$1,255,159, and \$1,165,969, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-Employment Benefits – Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The District borrows from time to time to facilitate its cash flow needs.

NOTE 12 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2008, the district purchased services from Sherrell's Excavating Inc., which is owned by Randy Sherrell, a member of the Leslie Public School's Board of Education. The amount of purchases for the year totaled \$12,835. Mr. Sherrell acknowledged a conflict of interest in a written statement addresses to Bill Myers, vice-president of the Board of Education. He refrained from both participating in discussions and voting on any items involving the matter.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Food Service fund – This fund accounts for the Districts school lunch program.

Athletic Activities fund – This fund accounts for the Athletic activities of the District.

Community Education fund – This fund is used to account for various community education programs run by the District.

The Durant Debt Service and the 2008 Debt Service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects funds accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Concession capital project – This fund is used to account for the construction of a new concession facility at the District's Football facility. This fund is being funded through community and district donations.

Capital projects fund – This fund is used to account for the general construction of facilities and structures of the district. This fund is funded by transfers from the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

**LESLIE PUBLIC SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
Property taxes	\$ 915,156	\$ 857,830	\$ 796,055	\$ (61,775)
Other local sources	44,442	142,392	126,560	(15,832)
Intermediate sources	839,528	799,000	765,081	(33,919)
State sources	9,328,128	9,551,764	9,605,655	53,891
Federal sources	239,448	287,175	276,058	(11,117)
Other sources	15,600	15,600	18,651	3,051
Total revenues	11,382,302	11,653,761	11,588,060	(65,701)
EXPENDITURES:				
Instruction:				
Basic instruction	5,796,021	5,861,515	5,761,919	99,596
Added needs	1,093,208	1,110,275	1,117,741	(7,466)
Total Instruction	6,889,229	6,971,790	6,879,660	92,130
Support Services:				
Pupil services	607,961	663,152	651,051	12,101
Instructional staff	247,926	519,529	497,782	21,747
General Administration	440,667	321,655	301,760	19,895
School Administration	839,333	816,909	809,560	7,349
Business	258,881	194,387	194,220	167
Operations and Maintenance	1,337,625	1,488,343	1,486,816	1,527
Transportation	535,011	630,511	583,281	47,230
Central Support services	145,199	226,525	225,628	897
Community services	12,577	31,140	27,673	3,467
Debt service:				
Principal		25,000	25,000	
Interest and other fiscal charges		8,600	8,591	9
Total support services	4,425,180	4,925,751	4,811,362	114,389
Total expenditures	11,314,409	11,897,541	11,691,022	206,519
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	67,893	(243,780)	(102,962)	140,818
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment			2,400	2,400
Proceeds from the issuance of bonds		270,000	270,000	
Operating transfers out	(187,000)	(170,000)	(165,448)	4,552
Total other financing sources (uses)	(187,000)	100,000	106,952	6,952
NET CHANGES IN FUND BALANCES	\$ (119,107)	\$ (143,780)	3,990	\$ 147,770
FUND BALANCES:				
Beginning of year			1,216,049	
End of year			\$ 1,220,039	

**LESLIE PUBLIC SCHOOLS
1998 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
REVENUES:				
Property taxes	\$ 1,479,944	\$ 1,479,944	\$ 1,291,023	\$ (188,921)
Investment income	11,500	11,500	14,298	2,798
Total revenues	1,491,444	1,491,444	1,305,321	(186,123)
EXPENDITURES:				
Debt service:				
Principal	1,005,000	1,005,000	625,000	380,000
Interest and other fiscal charges	512,258	512,258	920,711	(408,453)
Total expenditures	1,517,258	1,517,258	1,545,711	(28,453)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25,814)	(25,814)	(240,390)	(214,576)
OTHER FINANCING SOURCES (USES):				
Proceeds from the issuance of 2008 refunding bonds			7,855,000	7,855,000
Refunding deferral			341,074	341,074
Payment to escrow agent			(8,059,240)	(8,059,240)
Total other financing sources (uses)			136,834	136,834
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (25,814)	\$ (25,814)	(103,556)	\$ (77,742)
FUND BALANCES:				
Beginning of year			289,042	
End of year			\$ 185,486	

OTHER SUPPLEMENTAL INFORMATION

**LESLIE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds			Debt Service Funds	
	Food Service	Community Education	Athletic Activities	Durant Debt Service	2008 Debt Service
ASSETS					
Cash and cash equivalents	\$ 1,891	\$	\$ 18,169	\$	\$ 212,000
Receivables:					
Other	1,191				
Due from other funds					
Due from other governmental units	12,288				
Inventory	11,358				
	<u>\$ 26,728</u>		<u>\$ 18,169</u>	<u>\$</u>	<u>\$ 212,000</u>
 Liabilities:					
Accounts payable and accrued expenses	\$ 11,674		\$ 60	\$	\$
Due to other funds	12,596		17,456		
Deferred revenue					
Salaries payable	1,588				
Total liabilities	<u>25,858</u>		<u>17,516</u>		
 Fund balances:					
Reserved for:					
Inventory					
Capital projects					
Debt retirement					212,000
Unreserved:					
Undesignated	870		653		
Total fund balances	<u>870</u>		<u>653</u>		<u>212,000</u>
	<u>\$ 26,728</u>	<u>\$</u>	<u>\$ 18,169</u>	<u>\$</u>	<u>\$ 212,000</u>

**LESLIE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Capital Projects Funds</u>		<u>Total Nonmajor Governmental Funds</u>
ASSETS	<u>Concession Capital Project</u>	<u>Capital Project</u>	
Cash and cash equivalents	\$	\$ 1,465	\$ 233,525
Receivables:			
Other			1,191
Due from other funds			12,288
Due from other governmental units			11,358
Inventory			
	<u>\$</u>	<u>\$ 1,465</u>	<u>\$ 258,362</u>
 Liabilities:			
Accounts payable and accrued expenses	\$	\$	\$ 11,734
Due to other funds			30,052
Deferred revenue			
Salaries payable			1,588
Total liabilities			43,374
 Fund balances:			
Reserved for:			
Inventory			
Capital projects		1,465	1,465
Debt retirement			212,000
Unreserved:			
Undesignated			1,523
Total fund balances		1,465	214,988
	<u>\$</u>	<u>\$ 1,465</u>	<u>\$ 258,362</u>

LESLIE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Debt Service Funds	
	Food Service	Community Education	Athletic Activities	Durant Debt Service	2008 Debt Service
REVENUES:					
Local sources:					
Lunch and milk sales	\$ 276,327	\$	\$ 94,966	\$	\$
Admission and other					209,628
Property taxes					2,372
Interest	58		33		
State sources	36,665				
Federal sources	195,958				
USDA donated commodities	27,659				
Total revenues	536,667		94,999		212,000
EXPENDITURES:					
Food service	536,707				
Athletic activities			264,584		
Facilities site improvements					
Principal and interest					
Other		100			
Total expenditures	536,707	100	264,584		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40)	(100)	(169,585)		212,000
OTHER FINANCING SOURCES (USES):					
Operating transfers in			165,448		
Operating transfers out					
Total other financing sources (uses)			165,448		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(40)	(100)	(4,137)		212,000
FUND BALANCES, beginning of year	910	100	4,790		
FUND BALANCES, end of year	\$ 870	\$	\$ 653	\$	\$ 212,000

LESLIE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Capital Projects		Total Nonmajor Governmental Funds
	Concession Capital Project	Capital Project	
REVENUES:			
Local sources:			
Lunch and milk sales	\$	\$	\$ 276,327
Admission and other			94,966
Property taxes			209,628
Interest		473	2,936
State sources			36,665
Federal sources			195,958
USDA donated commodities			27,659
Total revenues		473	844,139
EXPENDITURES:			
Food service			536,707
Athletic activities			264,584
Facilities site improvements			
Principal and interest			
Other			100
Total expenditures			801,391
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		473	42,748
OTHER FINANCING SOURCES (USES):			
Operating transfers in		634	166,082
Operating transfers out	(634)		(634)
Total other financing sources (uses)	(634)	634	165,448
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(634)	1,107	208,196
FUND BALANCES, beginning of year	634	358	6,792
FUND BALANCES, end of year	\$	\$ 1,465	\$ 214,988

LESLIE PUBLIC SCHOOLS
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
REVENUES:				
Local sources:				
Lunch, milk sales and other	\$ 247,940	\$ 247,940	\$ 276,327	\$ 28,387
Interest	60	60	58	(2)
State sources	21,500	21,500	36,665	15,165
Federal sources	217,550	217,550	195,958	(21,592)
USDA donated commodities	18,950	18,950	27,659	8,709
Total revenues	506,000	506,000	536,667	30,667
EXPENDITURES:				
Salaries	155,926	155,926	160,835	(4,909)
Purchased services	4,500	4,500	6,322	(1,822)
Supplies and other	262,900	262,900	283,155	(20,255)
Employee benefits	86,487	86,487	86,395	92
Total expenditures	509,813	509,813	536,707	(26,894)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (3,813)	\$ (3,813)	(40)	\$ 3,773
FUND BALANCES, beginning of year			910	
FUND BALANCES, end of year			\$ 870	

LESLIE PUBLIC SCHOOLS
ATHLETIC ACTIVITIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
REVENUES:				
Local sources:				
Admission and other	\$ 77,430	\$ 88,955	\$ 94,966	\$ 6,011
Interest	70	70	33	(37)
Total revenues	77,500	89,025	94,999	5,974
EXPENDITURES:				
Salaries	135,700	151,609	150,739	870
Purchased services	21,800	22,645	26,488	(3,843)
Supplies and other	40,800	52,325	50,066	2,259
Employee benefits	29,200	36,583	37,291	(708)
Total expenditures	227,500	263,162	264,584	(1,422)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(150,000)	(174,137)	(169,585)	4,552
OTHER FINANCING SOURCES:				
Incoming operating transfers	150,000	170,000	165,448	(4,552)
Total other financing sources	150,000	170,000	165,448	(4,552)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$	\$ (4,137)	(4,137)	\$
FUND BALANCES, beginning of year			4,790	
FUND BALANCES, end of year			\$ 653	

LESLIE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2008 REFUNDING BONDS
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal Amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2009	4.50%	\$	\$ 365,530	\$ 365,530
2010	4.60%		309,625	309,625
2011	4.70%		309,625	309,625
2012	3.00%	650,000	309,625	959,625
2013	3.25%	665,000	290,125	955,125
2014-2018	Various	2,975,000	1,110,450	4,085,450
2019-2023	4.00%	2,610,000	499,600	3,109,600
2024-2025	4.00%	955,000	57,000	1,012,000
		<u>\$ 7,855,000</u>	<u>\$ 3,251,580</u>	<u>\$ 11,106,580</u>

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – February 26, 2008 \$7,855,000

Purpose – Partially refund the 1998 bonds

LESLIE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2007 EQUIPMENT BONDS
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal Amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2009	3.86%	\$ 25,000	\$ 9,909	\$ 34,909
2010	3.94%	30,000	8,945	38,945
2011	3.98%	30,000	7,762	37,762
2012	4.02%	30,000	6,568	36,568
2013	4.05%	30,000	5,362	35,362
2014-2017	Various	100,000	10,429	110,429
		<u>\$ 245,000</u>	<u>\$ 48,975</u>	<u>\$ 293,975</u>

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – July 1, 2007 \$270,000

Purpose – These bonds were issued for the purpose of remodeling school facilities; installing and equipping technology; and purchasing a school bus.

LESLIE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1998 DEBT
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal Amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2009	4.50%	\$ 625,000	\$ 88,350	\$ 713,350
2010	4.60%	640,000	60,225	700,225
2011	4.70%	<u>655,000</u>	<u>30,785</u>	<u>685,785</u>
		<u>\$ 1,920,000</u>	<u>\$ 179,360</u>	<u>\$ 2,099,360</u>

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – March 1, 1998 \$12,265,000

Purpose – Partially refund the 1995 bonds

LESLIE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – DURANT DEBT
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2009	4.76%	\$ 13,558	\$ 3,550	\$ 17,108
2010		14,203	2,904	17,107
2011		14,880	2,228	17,108
2012		15,588	1,520	17,108
2013		<u>85,622</u>	<u>29,324</u>	<u>114,946</u>
		<u>\$ 143,851</u>	<u>\$ 39,526</u>	<u>\$ 183,377</u>

Principal payments due on fifteenth day of May

Interest payments due on the fifteenth day of May and November

Original issue – 1999 \$243,624

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

LESLIE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Prior year Expenditures	Accrued (Deferred) revenue 6/30/07	Current year receipts	Current year expenditures	Accrued (Deferred) Revenue 6/30/08
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch Program – Section 4	10.555	71950	\$ 29,131	\$ 26,319	\$ 1,182	\$ 3,994	\$ 2,812	\$
National School Lunch Program – Section 4		81950	23,086			23,086	23,086	
National School Lunch Program – Section 11		71960	132,233	118,906	4,933	18,260	13,327	
National School Lunch Program – Section 11		81960	109,468			107,460	109,468	2,008
			<u>293,918</u>	<u>145,225</u>	<u>6,175</u>	<u>152,800</u>	<u>148,693</u>	<u>2,009</u>
National School Lunch Program – Breakfast	10.553	71970	40,967	37,372	1,645	5,240	3,595	
National School Lunch Program – Breakfast		81970	43,670			36,762	43,670	6,918
			<u>84,637</u>	<u>37,372</u>	<u>1,645</u>	<u>41,992</u>	<u>47,265</u>	<u>6,918</u>
Total Child Nutrition Cluster			<u>378,555</u>	<u>182,597</u>	<u>7,820</u>	<u>194,792</u>	<u>195,958</u>	<u>8,926</u>
Food Distribution:								
Entitlement commodities	10.550		27,332			27,332	27,332	
Bonus commodities			327			327	327	
			<u>27,659</u>			<u>27,659</u>	<u>27,659</u>	
Total Department of Agriculture			<u>406,214</u>	<u>182,597</u>	<u>7,820</u>	<u>222,451</u>	<u>223,617</u>	<u>8,926</u>
<u>Department of Education</u>								
Passed through Michigan Department of Education:								
ECIA Title I	84.010	715300607	180,077	180,077	27,012	27,012		
		815300708	198,049			167,000	195,218	28,218
			<u>378,126</u>	<u>180,077</u>	<u>27,012</u>	<u>194,012</u>	<u>195,218</u>	<u>28,218</u>

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award Amount	Prior year Expenditures	Accrued (Deferred) revenue 6/30/07	Current year receipts	Current year expenditures	Accrued (Deferred) Revenue 6/30/08
Service Provider Self Review	84.027	0804400708	4,000				4,000	4,000
ECIA Title VI	84.298	0802500708	284				284	284
Technology Literature	84.318	0842900708	1,861			190	1,861	1,671
Improving teacher quality	84.367	0705200607 0805200708	66,892 67,838	66,892	18,534	18,534 51,462	58,710	7,248
			134,730	66,892	18,534	69,996	58,710	7,248
Total passed through Michigan Department of Education			519,001	246,969	45,546	264,198	260,073	41,421
Passed through Ingham Intermediate School District								
Preschool Grant	84.173A	704600607 804600708	11,340 9,206	11,340	11,340	11,340	9,206	9,206
			20,546	11,340	11,340	11,340	9,206	9,206
TOTAL DEPARTMENT OF EDUCATION			539,547	258,309	56,886	275,538	269,279	50,627
Department of Health and Human Services Passed through Ingham Intermediate School District								
Medicaid Outreach	93.778		6,779			6,668	6,779	111
TOTAL FEDERAL AWARDS			\$ 952,540	\$ 440,906	\$ 64,706	\$ 504,657	\$ 499,675	\$ 59,664



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

September 24, 2008

To the Board of Education
Leslie Public Schools
Leslie, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie Public Schools as of and for the year ended June 30, 2008, which collectively comprise Leslie Public Schools basic financial statements and have issued our report thereon dated September 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leslie Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leslie Public Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Leslie Public Schools internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Leslie Public Schools ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Leslie Public Schools financial statements that is more than inconsequential will not be prevented or detected by Leslie Public Schools internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Leslie Public Schools internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether Leslie Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Leslie Public Schools in a separate letter dated September 24, 2008.

This report is intended solely for the information and use of the board of education, management and the Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants

731 S. Garfield Ave., Traverse City, MI 49686 tel. 231-946-8930 fax. 231-946-1377
www.harrisgroupcpa.com



September 24, 2008

Board of Education
Leslie Public Schools
Leslie, MI

In planning and performing our audit of the financial statements of Leslie Public Schools for the fiscal year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Leslie Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we noted the following control deficiencies:

Journal Entries

Currently there are limited controls over the process of making and recording journal entries to the general ledger. There is no indication of approval of the journal entry. Also, journal entries made by the Business Manager are not approved by a supervisor. We recommend that the Superintendent review a list of journal entries made on a monthly basis. Also, the Board of Education may want to set a monetary level for which journal entries made by the Business Manager would need approval by the Superintendent, before the entry is made to the general ledger system.

Athletics Cash Receipts

During a test of cash receipts, we noted there was a lag between the receipt of funds and the depositing of such funds at a financial institution. Deposits should be made daily if the volume of the transactions warrants that frequency. But deposits should be made at a minimum on a weekly basis.

This report is intended solely for the information and use of the Board of Education, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants



September 24, 2008

To the Finance Committee
Leslie Public Schools
Leslie, MI

We have audited the financial statements of Leslie Public Schools for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated October 9, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Leslie Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Leslie Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Leslie Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Finance Committee and management of Leslie Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Certified Public Accountants